United Nations A/73/673

General Assembly

Distr.: General
22 December 2018

Original: English

**Seventy-third session**
Agenda item 144

# United Nations pension system

## Report of the Fifth Committee

*Rapporteur*: Mr. Hicham **Oussihamou** (Morocco)

## I. Introduction

1. At its 3rd plenary meeting, on 21 September 2018, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its seventy-third session the item entitled "United Nations pension system" and to allocate it to the Fifth Committee.

2. The Fifth Committee considered the item at its 14th and 26th meetings, on 9 November and 22 December 2018. Statements and observations made in the course of the Committee's consideration of the item are reflected in the relevant summary records.[1]

3. For its consideration of the item, the Committee had before it the following documents:

(a) Report of the United Nations Joint Staff Pension Board on its sixty-fifth session (A/73/9);

(b) Report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund (A/C.5/73/3);

(c) Financial reports and audited financial statements for the year ended 31 December 2017 and report of the Board of Auditors on the United Nations Joint Staff Pension Fund (A/73/5/Add.16);

(d) Report of the Secretary of the United Nations Joint Staff Pension Board and the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund on the implementation of the recommendations of the Board of Auditors contained in its report for the year ended 31 December 2017 on the Fund (A/73/342);

[1] A/C.5/73/SR.14 and A/C.5/73/SR.26.



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(e) Related report of the Advisory Committee on Administrative and Budgetary Questions (A/73/489);

(f) Report of the Office of Internal Oversight Services on the comprehensive audit of the governance structure and related processes of the United Nations Joint Staff Pension Board (A/73/341).

## II. Consideration of draft resolution A/C.5/73/L.15

4. At its 26th meeting, on 22 December, the Committee had before it a draft resolution entitled "United Nations pension system" (A/C.5/73/L.15), submitted by the Chair of the Committee on the basis of informal consultations coordinated by the representative of the Dominican Republic.

5. At the same meeting, the Committee adopted draft resolution A/C.5/73/L.15 without a vote (see para. 6).

# III. Recommendation of the Fifth Committee

6. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

## United Nations pension system

*The General Assembly*,

*Recalling* its resolutions 57/286 of 20 December 2002, 61/240 of 22 December 2006, 70/238 A of 23 December 2015 and 71/265 of 23 December 2016, section XV of its resolution 72/262 A of 24 December 2017 and its resolution 72/266 A of 24 December 2017,

*Having considered* the report of the United Nations Joint Staff Pension Board for 2018,[1] the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund,[2] the financial report and audited financial statements for the year ended 31 December 2017 and the report of the Board of Auditors on the United Nations Joint Staff Pension Fund[3] and the recommendations contained therein, the report of the Secretary of the Pension Board and the Representative of the Secretary-General for the investment of the assets of the Fund on the implementation of the recommendations of the Board of Auditors contained in its report for the year ended 31 December 2017 on the Pension Fund,[4] the related report of the Advisory Committee on Administrative and Budgetary Questions[5] and the report of the Office of Internal Oversight Services on the comprehensive audit of the governance structure and related processes of the United Nations Joint Staff Pension Board,[6]

1. *Takes note* of the report of the United Nations Joint Staff Pension Board;[1]

2. *Also takes note* of the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund;[2]

3. *Further takes note* of the report of the Secretary of the Pension Board and the Representative of the Secretary-General for the investment of the assets of the Fund on the implementation of the recommendations of the Board of Auditors contained in its report for the year ended 31 December 2017 on the Fund;[4]

4. *Endorses* the conclusions and recommendations of the Advisory Committee on Administrative and Budgetary Questions;

5. *Emphasizes* the existing prerogative of the General Assembly on matters pertaining to the United Nations Joint Staff Pension Fund;

### Actuarial matters

6. *Notes* the valuation results reporting a deficit of 0.12 per cent as at 31 December 2017, compared with a surplus of 0.41 per cent as at 31 December 2015, and in this regard stresses the importance of continuing to achieve the necessary

[1] *Official Records of the General Assembly, Seventy-third Session, Supplement No. 9* (A/73/9).
[2] A/C.5/73/3.
[3] *Official Records of the General Assembly, Seventy-third Session, Supplement No. 5P* (A/73/5/Add.16).
[4] A/73/342.
[5] A/73/489.
[6] A/73/341.

3.5 per cent annual real rate of return on a long-term basis for the future solvency of the Fund;

**Financial statements of the United Nations Joint Staff Pension Fund and report of the Board of Auditors**

7. *Notes* the findings and recommendations contained in the report of the Board of Auditors on the Fund;

8. *Also notes* that the Board of Auditors issued an unqualified audit opinion on the financial statements of the Fund for the year ended 31 December 2017;

9. *Reiterates* the importance of the implementation of all the recommendations of the Board of Auditors by the secretariat of the Fund, the Pension Board and the Representative of the Secretary-General, in full and in a timely manner, and of reporting thereon in the next report to the General Assembly;

10. *Urges* the Pension Board to address all pending issues with clear targets and milestones, and requests the Fund to conduct an independent assessment of the Integrated Pension Administration System, within existing resources, and to report thereon in the context of its next report;

11. *Requests* the Pension Board to ensure that the development of an electronic signature verification system to facilitate the certificate of entitlement process will be implemented expeditiously, in compliance with the relevant regulations and rules, notably the Financial Regulations and Rules of the United Nations and the Procurement Manual;

**Governance**

12. *Notes* the recommendations of the Office of Internal Oversight Services and the corresponding comments of the Pension Board with regard to the audit of the governance structure of the Board requested by the General Assembly in section XV, paragraph 8, of its resolution 72/262 A;

13. *Also notes* the current dual role of the Chief Executive Officer and Secretary of the Pension Board, and decides to replace the existing post by two distinct and independent positions, namely, "Pension Benefits Administrator" and "Secretary of the Pension Board", by no later than January 2020;

14. *Further notes* that the Pension Board established a working group, which should adhere to the tripartite structure of the Board, to consider the issues of participation, rotation and equitable representation on the Board and to review the following elements:

(a) The terms of reference and self-evaluation methodology of Board members;

(b) The composition and size of the Board, including the role of retiree representatives and the modalities to directly elect retiree representatives to the Board;

(c) Allocation of seats on the Board;

(d) Implementation of a review and rotation scheme for the adjustment of the composition of the Board on a regular basis, to allow eligible member organizations to share rotating seats in a fair and equitable manner;

(e) A regular review mechanism for the adjustment of the composition of the Board;

(f) The usage of the Standing Committee;

(g) The need for the Assets and Liability Monitoring Committee;

15. *Requests* the Pension Board to submit the key findings of the review to the General Assembly at the main part of its seventy-fourth session;

16. *Urges* the Pension Board to ensure timely and proper succession planning for the positions of Chief Executive Officer and Deputy Chief Executive Officer in order to allow adequate time for a competitive selection process based on pre-established procedures that ensures integrity and fairness;

17. *Emphasizes* that the Office of Internal Oversight Services shall remain the sole internal oversight body of the secretariat of the Fund and its investments, in line with the mandate of the Office, as set out by the General Assembly in its resolution 48/218 B of 29 July 1994, and stresses that any change to the mandate in this regard remains the sole prerogative of the Assembly;

18. *Encourages* the Pension Board to update rule H.1 of the financial rules of the Fund in accordance with paragraph 17 above;

19. *Also encourages* the Pension Board to review the provisions contained in the declaration on confidentiality and conflict of interest in order to develop a standard operating procedure regarding the circumstances under which the declaration should be used, and to report on progress made thereon in the next report of the Board;

20. *Requests* the Pension Board to provide further analysis on the impact of the proposed amendments to articles 6 and 48 of the Regulations, Rules and Pension Adjustment System of the United Nations Joint Staff Pension Fund and to report thereon in the context of the next report;

21. *Recalls* that, subsequent to the establishment of the Fund and the adoption of its regulations, in its resolution 248 (III) of 7 December 1948, the General Assembly has sole and ultimate authority to approve amendments to the Regulations governing the Fund;

22. *Decides* to amend article 4 of the Regulations of the Fund by inserting a new subparagraph (c) to read as follows: "Subject to the provisions of these Regulations, the Board shall adopt its own rules of procedure, which shall be reported to the General Assembly and the member organizations";

23. *Also decides* to approve the proposed amendments to articles 30, 32 and 46 of the Regulations of the Fund, as set out in annex XI to the report of the Board;

24. *Approves* the exception to article 15 (b) of the Regulations of the Fund, to effect a change from a biennial to an annual budget, on a trial basis, subject to the follow-up review to be conducted by the Secretary-General for consideration by the General Assembly at its seventy-seventh session;

25. *Reiterates* the need to establish appropriate mechanisms to avoid conflicts of interest between the management of the Fund and the constituent groups of the Pension Board and to report thereon in the context of the next report of the Board;

26. *Requests* the secretariat of the Fund to continue to work towards meeting the target of 15 business days for benefit processing for actionable cases, and, in this regard, looks forward to an update in the context of the next report of the Pension Board;

27. *Reiterates* the need to enhance the processing of the receipt of payments by some beneficiaries, and stresses the need for the Fund:

(a) To increase efforts to address the delays and proactively resolve actionable cases, open workflows and legacy and other outstanding cases and to ensure the

implementation of a system to prioritize the resolution of the most urgent and severe cases;

(b) To further strengthen communication and transparency with member organizations and their staff pension committees;

(c) To provide an update on these issues in the context of the next report of the Board;

28. *Requests* the Pension Board to review and set key performance indicators for the senior management of the Fund secretariat and to tie their performance evaluation, in part, to the proportion of cases processed and to the number of outstanding cases;

29. *Requests* the Fund to assess the efficiency and geographical coverage of call centres and client service operations and to report on its findings in the context of the next report of the Board;

30. *Decides* to reconstitute the Executive Office of the Pension Fund so that it is directly responsible for the provision of administrative services to both entities of the Fund,[7] within existing resources;

31. *Requests* the Secretary-General and the Pension Board to continue to ensure that the staff composition of the Office of Investment Management and of the secretariat of the Fund is recruited on as wide a geographical basis as possible, bearing in mind Article 101, paragraph 3, of the Charter of the United Nations, and to provide an update on progress achieved in the context of their next reports;

32. *Recalls* the high proportion of resources dedicated to support functions, highlights the importance of strong monitoring of the use and distribution of resources, including temporary resources, across the secretariat of the Fund, and requests the Pension Board to strengthen monitoring to ensure that the secretariat of the Fund utilizes resources in accordance with the decisions of the General Assembly;

**Investments of the United Nations Joint Staff Pension Fund**

33. *Highlights* the fact that the investment strategy of the Fund should be guided by its annualized real rate of return target, and calls upon the Secretary-General to continue intensive efforts towards meeting the investment policy objectives;

34. *Reaffirms* that the Secretary-General serves as fiduciary for the investment of the assets of the Fund;

35. *Requests* the Secretary-General, as fiduciary for the investment of the assets of the Fund, to continue to diversify its investments among developed, developing and emerging markets, wherever this serves the interests of the participants and the beneficiaries of the Fund, and also requests the Secretary-General to ensure that decisions concerning the investments of the Fund in any market are implemented prudently, taking fully into account the four main criteria for investment, namely, safety, profitability, liquidity and convertibility;

36. *Notes* that emerging and frontier markets, including markets in Africa, are increasingly important to the investment strategy of the Fund;

37. *Requests* the Office of Investment Management to expedite its fraud risk assessment, and further requests the Secretary-General to submit detailed information on follow-up measures to the General Assembly in the context of the next report of the Board;

[7] Secretariat of the Fund and Office of Investment Management.

38. *Recalls* the mandates of the Investment Committee and the Committee of Actuaries, welcomes the established practice of holding joint meetings, and encourages the Committees to increase joint interaction with the Board;

39. *Trusts* that the Secretary-General will continue to exert further efforts to identify potential candidates from all regional groups for membership in the Investments Committee;

**Other matters**

40. *Approves* the admission of the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization to membership in the Fund, with effect from 1 January 2019;

41. *Concurs*, in accordance with article 13 of the Regulations of the Fund and with a view to securing the continuity of pension rights, with the new agreement on the transfer of pension rights of participants in the United Nations Joint Staff Pension Fund and officials of the African Development Bank, as approved by the Pension Board and set out in annex XIII to the report of the Pension Board, which will become effective on 1 January 2019;

42. *Stresses* the important role of the Board in ensuring the sustainability of the Fund, by managing expenses prudently, setting cost benchmarks and keeping the cost per participant and beneficiary within its historical 10-year average, after adjusting for inflation;

43. *Looks forward* to considering the next quadrennial report on the long-term sustainability of the Fund in the context of the next report of the Pension Board;

44. *Highlights* the importance attached by the General Assembly to continuing to ensure unfaltering accountability by the Pension Board, and requests the Board to provide detailed follow-up on all aspects of the implementation of the present resolution, including information on the implementation of the recommendations of the Office of Internal Oversight Services agreed to by the Board, in the context of its report to be submitted at the seventy-fourth session of the Assembly.